

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
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R 230806Z MAY 78
FM AMCONSUL FRANKFURT
TO SECSTATE WASHDC 2034
INFO AMEMBASSY BONN
AMEMBASSY MOSCOW
AMEMBASSY TOKYO
AMEMBASSY BRUSSELS
AMEMBASSY PARIS
USMISSION USNATO

C O N F I D E N T I A L FRANKFURT 4160

USEEC

USOECD

E.O. 11652: GDS
TAGS: EEWT, EQIP, EFIN, GW, JA, UR
SUBJ: DOLLAR PRICING OF EXPORTS

REF: (A) FRANKFURT 3941; (B) MOSCOW 08957

1. FRANKFURT-BASED EUROPEAN MANAGER FOR MARIDYNE,
U.S. AFFILIATE OF MARUBENI, THE LARGE JAPANESE TRADING
COMPANY, PROVIDED VIEWS ON JAPANESE EXPORT PRICING.
HE IS ENGAGED IN SELLING U.S. PRODUCED EQUIPMENT
THROUGHOUT EUEOPE INCLUDING THE EAST, AND ALSO HAS SOME
FAMILIARITY WITH PRICING OF JAPAN PROCUDUED PRODUCTS.

2. THIS SOURCE GENERALLY CONFIRMS VIEWS OF
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GERMAN BANKER CONTAINED IN REFTEL (A) THAT
PRESSURES FOR DOLLAR DENOMINATION OF PURCHASES FROM
JAPAN TYPICALLY COME FROM BUYER COUNTRY, INCLUDING
FROM THE SOVIET UNION. HE AGREES THAT THERE HAS
BEEN SOME MOVEMENT AWAY FROM DOLLAR DENOMINATION
OF JAPANESE EXPORT SALES OVER THE PAST SEVERAL
YEARS WHICH HE ATTRIBUTES MAINLY TO "NATIONALISM".

HOWEVER, HE BELIEVES THAT DOLLAR DENOMINATION STILL ACCOUNTS FOR MORE THAN THE 70 PERCENT OF TOTAL EXPORTS AS REFLECTED IN REFTEL A.

3. THIS SOURCE DOES NOT SEE CONSTANT DOLLAR PRICING OF JAPANESE EXPORT SALES AS ANY PARTICULARLY NEW OR DIFFERENT DEVICE FOR COMPETING IN THE SOVIET OR OTHER WORLD MARKETS. INSTEAD, HE TRACED THE TRADITIONAL JAPANESE APPROACH TOWARD WORLD MARKETS; MAXIMIZING TURNOVER AND MARKET SHARE IN THE SHORT RUN AT PRICES WHICH SHOW LITTLE IMMEDIATE REGARD FOR PROFIT MARGINS. IN THIS REGARD, HE CITED OVERALL MARUBENI PROFIT MARGINS AT 2/10 PERCENT ON ITS MULTI-BILLION ANNUAL WORLD-WIDE SALES. HE ALSO DESCRIBED DISCONTINUOUS PRICING CHANGES AS A COROLLARY TO THIS APPROACH WHICH OFTEN WORKS TO THE DISADVANTAGE OF JAPANESE EXPORTERS. HOME OFFICE JAPANESE COST AND PROFIT ANALYSTS EVENTUALLY BLOW THE WHISTLE, AND DISCOUNTS OF UP TO 40 PERCENT ARE OFTEN FOLLOWED BY NEW PRICES WITHIN ONE YEAR WHICH REPRESENT INCREASES OF UP TO 100 PERCENT. SOVIET BUYERS BALK AT THESE QUANTUM CHANGES, AND THE SOURCE CITED AT LEAST ONE DEAL FOR TRUCKS AND CONSTRUCTION EQUIPMENT TO THE USSR WHICH THE JAPANESE LOST FOR THIS REASON. LEHMANN

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